



California Public Employees' Retirement System
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Agenda Item 5b

April 12, 2011

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

I. SUBJECT: Judges' Retirement System Actuarial Valuation

II. PROGRAM: Actuarial Office

III. RECOMMENDATION:

- The Committee recommends to the Board of Administration approval of the June 30, 2010 Judges' Retirement System Actuarial Valuation Report along with changes to methods and assumptions as outlined in the report.
- The Committee recommends that the Board of Administration continue to encourage the California Legislature and Governor to adopt an employer contribution schedule that includes advanced funding of the Judges' Retirement System.

IV. ANALYSIS:

Enclosed is the CalPERS staff actuarial valuation report as of June 30, 2010 for the Judges' Retirement System (JRS). Also attached is the transmittal letter to the Governor and Legislature. As can be seen in our report, JRS continues to be extremely under funded. It is in a poorly funded position due to the pay-as-you-go contribution basis followed by the State. Page 5 of the valuation report displays a projection of expected benefit payouts from the System in the coming years. Appendix C of the report provides a projection of expected statutory contributions and projected future benefit payouts for the next ten fiscal years beginning July 1, 2011.

The actuarial value of assets, at market value, for JRS as of June 30, 2010, is \$63.828 million. Under the current pay-as-you-go funding approach being followed by the State for making contributions to the System, the present value of benefits of the System as of June 30, 2010 is \$3.556 billion based on the 4.50% investment return assumption that is used to determine the employer's annual required contribution (ARC) as determined according to the Governmental Accounting Standards Board Statement No. 27 (GASB 27) for fiscal year 2011-2012.

We are no longer including valuation results using the Aggregate funding method and a 7% investment return assumption. These results would be appropriate only if advance funding were in place and assets could be invested over a long term. In fact, no advance funding has been done and benefits are close to being at their maximum. Therefore, long-term investment of any assets is not currently possible.

Progress in the funded status of JRS can be achieved if the State commences advance funding for its expected future benefit payouts. CalPERS' staff would be happy to work with the Administration in establishing an acceptable advance funding basis for funding the System's future benefit payments.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

VI. RESULTS/COSTS:

See enclosed actuarial report.

BARBARA WARE
Senior Pension Actuary
Actuarial Office

ALAN MILLIGAN
Chief Actuary

Attachment